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RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 3265
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 7574
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 6396
RUEHNH/AMCONSUL NAHA IMMEDIATE 8732
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 0211
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 6912
RUEHIN/AIT TAIPEI IMMEDIATE 7468
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RUEAIIA/CIA WASHDC IMMEDIATE
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RHEFDIA/DIA WASHINGTON DC IMMEDIATE
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RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 04 TOKYO 002101

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TAGS: PREL PGOV JA PINR ECON

SUBJECT: A STRONGER DPJ SET TO LAUNCH TRIPARTITE COALITION GOVERNMENT

REF: A. TOKYO 2068
 B. TOKYO 2079
 C. TOKYO 1595
 D. TOKYO 1811

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Classified By: Ambassador John V. Roos, Reasons 1.4 (b) and (d)

¶1. (C) Summary: After about a week of negotiations, the Democratic Party of Japan (DPJ) reached an agreement on September 9 with two smaller parties—the Social Democratic Party (SDP) and the People's New Party (PNP)—with which it had said it would enter into a coalition arrangement after the August 30 Lower House election. The three parties agreed on a common approach to policy-making as well as policy on domestic and foreign/security issues. Although some observers have portrayed the compromise on the latter topic as posing a challenge to the U.S.-Japan alliance, Embassy contacts in the DPJ have reassured us that the DPJ will remain in control of the coalition and of foreign policy, and ensure that the U.S.-Japan relationship remains the foundation of Japan's foreign policy. With its new coalition in place, the DPJ is now on track to launch its tripartite coalition government next week on September 16, at the Diet's Special Session, where DPJ President Yukio Hatoyama is set to be voted in as Prime Minister. End Summary.

Pre and Post-Election Background

¶2. (U) Even before the August 30 Lower House election, DPJ President Yukio Hatoyama had stated that he planned to enter into a formal coalition arrangement with the SDP and PNP regardless of the election results. Although the media had predicted a landslide win for the DPJ that would give it a majority in the Lower House without assistance from other parties, the DPJ still needed cooperation from the smaller parties in the Upper House, where it does not have a majority on its own. Although its victory in the Lower House election was not as big as many in the media had predicted, at 308 out of 480 seats, it was still large enough to give the DPJ a

comfortable majority without the backing of any other party. However, staying true to his pre-election promise and wanting to ensure the smooth passage of legislation in both houses of the Diet, Hatoyama began talks on building a coalition with the SDP and PNP soon after the Lower House election results were announced.

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Coalition Agreements on Policy-Making
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¶3. (C) With the tripartite agreement on September 9, the DPJ has gained a monopoly of political power that even the former ruling Liberal Democratic Party (LDP) did not enjoy in the recent past. Together with the Lower House majority that the DPJ earned on its own, the continuing legislative cooperation by the SDP and PNP in the Upper House guarantees the DPJ's preeminent power in the Diet as a whole.

¶4. (C) As small parties facing growing irrelevance in the Japanese political world, the SDP and PNP were eager to use the coalition talks to gain a voice in policy-making under the DPJ government. The SDP requested that some of its members be granted positions in the National Strategy Bureau (NSB), which the DPJ had proposed would evolve into the government's key policy-making and budgetary body. The SDP also requested that a formal, three-party policy liaison panel be set up to include the SDP and PNP in the policy-making process. The DPJ reportedly rejected the first request related to the NSB, and put forth an alternative solution regarding the policy panel that its coalition partners ultimately accepted. Instead of a formal, three-party liaison panel, the DPJ agreed to establish a

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consultative body in which top officials from the three parties could discuss key government policies, with the results of such deliberations subject to Cabinet approval. Furthermore, Hatoyama offered one Cabinet position each to the SDP and PNP. It is widely expected that party heads Mizuho Fukushima (SDP) and Shizuka Kamei (PNP) will accept these posts. (SEE REFTEL A.) Although it remains to be seen how this consultative body will interact with the Hatoyama Cabinet as a whole, it is clear that the DPJ intends to create a new political system in which power is concentrated in the Cabinet, rather than any coalition-inclusive body or the bureaucracy.

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Coalition Agreements on Policy
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¶5. (C) In addition to policy-making, the DPJ, SDP, and PNP also reached an understanding on specific policy issues. On the domestic front, the three parties agreed to consider emergency measures to increase employment, increase disposable income to help boost consumption, keep the national sales tax at 5%, delay postal privatization (SEE REFTEL B), intensify efforts to solve the problem of unidentified pension premium payment records, and create a forum to work towards transferring a substantial amount of the central government's powers to local governments. The three parties also agreed to comply with the three principles of the Japanese Constitution--pacifism, popular sovereignty, and respect for basic human rights--and give top priority to satisfying constitutionally guaranteed rights.

¶6. (C) On foreign/security policy, the coalition agreed to "propose the revision of the Japan-U.S. Status of Forces Agreement and move in the direction of reexamining the realignment of the U.S. military forces in Japan and the role of U.S. military bases in Japan so as to reduce the burden on the residents of Okinawa." This language, except for the final phrase "to reduce the burden on the residents of Okinawa," is exactly the same as the text found in the DPJ's Party manifesto (campaign platform), which itself was a toned

down version of comments several senior DPJ leaders had made about the bilateral alliance in the months leading up to the election. The three parties also pledged to build "an autonomous foreign policy strategy" and a "close and equal Japan-U.S. alliance," something also previously mentioned in the DPJ manifesto. (SEE REFTELS C AND D.)

17. (C) After signing the coalition agreement in the early evening of September 9, DPJ President Yukio Hatoyama explained to reporters that the parts related to the SOFA and U.S. forces in Japan were already a part of the DPJ manifesto and that the coalition agreement merely confirmed the manifesto. DPJ Secretary General and Foreign Minister-designate Katsuya Okada added to this reassurance, saying "nothing new has been stipulated" on top of what the DPJ had already pledged in its Lower House election manifesto. Senior Researcher at the DPJ Policy Research Council, Kiyoshi Sugawa, also told post that the DPJ always had the lead in drafting the coalition agreement and ultimately rejected demands from the SDP to include stronger language against the U.S. and U.S.-Japan alliance. According to Sugawa, the DPJ purposely did not include specific issues related to the bilateral alliance in the original coalition agreement that it proposed to the SDP and PNP, knowing that the two parties would push back. After the coalition talks were delayed following the smaller parties' request that specific bilateral issues be a part of the agreement, the DPJ finally agreed to include language that had already appeared in its manifesto, said Sugawa.

18. (C) SDP Secretary General Yasumasa Shigeno confirmed that all of the items the SDP pushed for in the coalition talks, such as Futenma airbase being moved out of Okinawa

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prefecture, were not included in the final agreement. This revealed the priority the SDP had placed on the Okinawa issue. The DPJ's Sugawa provided further examples of the true power structure in the coalition by informing post that he did not expect the SDP, despite its one seat on the Cabinet, to have any influence in pursuing its anti-U.S. agenda in the DPJ-led Cabinet. Although he did express some reservation about PNP Diet Affairs Committee Chairman Mikio Shimoji from Okinawa, who was vocal in his opposition to bilateral agreements related to Okinawa, Sugawa reminded post that both the SDP and PNP, with seven and three Lower House seats, respectively, were tiny parties in comparison to the DPJ. Sugawa concluded that as long as Prime Minister-designate Hatoyama and Foreign Minister-designate Okada retained their grip on foreign policy, they would deal with U.S.-related issues realistically and in a way not detrimental to the alliance. NOTE: Sugawa went on to speculate that DPJ Secretary General-designate Ichiro Ozawa was unlikely to get involved in U.S.-related issues, with the exception of Indian Ocean refueling, which he used to handle as party president. Sugawa implied that with Ozawa opposed to a renewal of Japan's involvement in refueling operations, the DPJ's current position that Japan would not renew its cooperation in the Indian Ocean was likely to stand. END NOTE.

MOFA on the Coalition Agreement and U.S.-Japan Relations
Under the DPJ Government

19. (C) Contacts at the Ministry of Foreign Affairs also confirmed that the similarity of the DPJ manifesto and the September 9 coalition announcement showed that the DPJ had pushed back on the more drastic positions taken by the SDP and PNP regarding SOFA revision and force realignment. According to Japan-U.S. Security Treaty Division Director Takehiro Funakoshi, MOFA read the coalition statement as a sign that the DPJ wished to take a more responsible approach to security issues. He added that Okada, as the putative Foreign Minister, recognized that he himself would bear the

brunt of U.S. criticism for any fundamental changes to alliance policy. To avoid such changes, Funakoshi urged that the USG conduct "delicate public diplomacy" that would convey U.S. red lines without boxing the DPJ administration into a corner. He noted, for example, that the August 31 State Department statement on maintaining bilateral commitments to Guam relocation plans under force realignment had been helpful.

¶10. (C) Regarding the coalition statement's point on relieving the burden borne by Okinawa in hosting U.S. bases, Funakoshi observed that Okinawans had been composed in their reaction to the DPJ electoral victory. He maintained that Okinawans recognized the pitfalls involved in any proposed changes to the realignment roadmap regarding the Futenma Replacement Facility (FRF). They therefore had not grown excited about calls by DPJ members during the election campaign to relocate the planned FRF outside of Okinawa. Okinawans also recognized that although the SDP was pushing to move the FRF off Okinawa, the fact that the party had won only seven Diet seats would temper its influence on security policy and realignment.

¶11. (C) Funakoshi remarked that MOFA Vice Minister Mitoji Yabunaka and key North American Affairs Bureau officials had conducted their first briefing on realignment for Okada on September 9. The officials judged that the incoming Foreign Minister had not appeared favorably disposed to realignment plans at the outset, but reacted neither positively nor negatively to the briefing. Okada conceded, however, that realignment issues were "even more difficult" than he had expected. Funakoshi took this comment as a positive sign, but cautioned that it was too early to tell which direction

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Okada would take. Funakoshi also conveyed his belief that, in the end, the USG would have to offer face-saving measures to secure the DPJ administration's commitment to realignment.

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A Stronger DPJ
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¶12. (C) The completion of talks and signing of an agreement between the DPJ and its smaller coalition partners gives the DPJ an historic hold on political power. Political observers seem mixed in their opinion of who--the DPJ or the SDP and PNP--really got the upper hand in the coalition agreement. However, one DPJ member characterized the growing strength of his party this way: "The SDP has only seven seats and the PNP has three in the Lower House, so they have no other choice but to join the planned coalition government. Even if we ignore them, they will end up following us."

¶10. (C) Further strengthening its position, the DPJ also seems to be heading towards cooperation with the New Komeito, the LDP's coalition partner for the last ten years. On September 9, DPJ President Hatoyama met with New Komeito President Yamaguchi Natsuo and told him that the DPJ would like to request the New Komeito's cooperation on implementing policies that the public desired. In response, Yamaguchi confirmed that while remaining true to its policy direction, the New Komeito would cooperate with the DPJ on policies the public wanted.

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